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FM AMEMBASSY RANGOON

TO RUEHC/SECSTATE WASHDC 7528

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UNCLAS SECTION 01 OF 03 RANGOON 000342

SENSITIVE

SIPDIS

STATE FOR EAP/MLS, SES-O, EEB/TPP/ABT/ATP - JANET SPECK

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SUBJECT: BURMA: FOOD PRICES CONTINUE TO RISE, FUEL PRICES DECREASE

Ref: A) RANGOON 336 B) RANGOON 335 C) RANGOON 331 D) RANGOON 323

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11. (SBU) Summary. Despite government efforts to reopen supply roads into Rangoon, food supplies remain limited, resulting in skyrocketing prices. Rice stocks throughout the city are almost depleted, and the few traders who still have rice sell it for approximately 40,000 kyat (\$36) a bag, 67 percent higher than pre-cyclone prices. Prices of other commodities, such as cooking oil, meat, chicken, and fish, continue to increase dramatically due to short supply and high demand. The GOB recently resumed rail service, and supplies of fruits and vegetables from Northern Burma have entered the Rangoon market, alleviating some pressure on food supplies. However, fruits and vegetables are still expensive for the average Burmese, who are unable to afford the higher prices. We have heard of instances of theft in the markets, and people are becoming increasingly desperate for food. Prices of fuel have stabilized - black market petrol prices decreased from 8,000 kyat (\$7.20) to 7,000 kyat (\$6.36) per gallon, and diesel prices fell from 10,000 kyat (\$9) to 8,000 kyat (\$7.20) per gallon. End Summary.

Food Still In Short Supply

12. (SBU) While most of Rangoon's markets and supermarkets remain open for business, food at these markets is becoming scarce, particularly rice, cooking oil, water, and meat. Not only did the cyclone destroy much of the Irrawaddy Delta's rice paddies (Ref C), which supply the majority of Rangoon's rice, but it also wiped out many poultry farms (Ref A). The storm also destroyed many of Burma's fishing vessels, so fishermen are unable to bring fish and seafood to the markets. Consequently, the availability of these

products has declined dramatically in the past few days, with prices reflecting the limited supply. During our trips to several markets in Rangoon, we observed only a few stalls selling fish and seafood. Fish prices have jumped 75 percent in the past week, and chicken and pork prices have increased by 33 percent each.

¶3. (SBU) Demand for rice, cooking oil, and drinking water remains high, and most markets have sold out of all three products. On May 8, we saw one rice trader selling lower quality rice for 40,000 kyats (\$36) a bag, up from 24,000 kyat (\$22) a bag one week ago. He told us that there is no more superior quality rice available in Rangoon, and stocks of ehmat and inferior rice are quickly depleting. Cooking oil and water are also scarce in the markets, although we found several high-end supermarkets with a limited supply. Prices of cooking oil have jumped between 22 to 56 percent, depending on the type of oil. Purified water prices have increased the most, more than 400 percent since May 1.

Selected Commodity Prices, Rangoon
As of May 8, 2008
In Kyat

Good	Pre-Storm Price	Post-Storm Price	Percent Increase
Ehmata Rice	24000/bag	40000/bag	67
Peanut Oil	4500/viss	5500/viss	22
Soybean Oil	4500/viss	6500/viss	45
Palm Oil	3200/viss	5000/viss	56
Pork	6000/viss	8000/viss	33
Chicken	6000/viss	8000/viss	33
Fish	4000/viss	7000/viss	75

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Salt	1500/viss	2800/viss	87
Onions	300/viss	800/viss	167
Potatoes	400/viss	900/viss	125
Purified Water	300/liter	1500/liter	400

*1 viss=3.6 lbs or 1 viss=2 liters

¶4. (SBU) During the past few days, we have observed an increase supply of fruits and vegetables in the markets. Vendors told us that since the government resumed rail transport to Rangoon, farmers and traders in Northern Burma have sent fruits and vegetables to Rangoon rather than exporting them to China and Thailand. Prices of fruits and vegetables have also increased since May 1, due primarily to high transport costs and increased demand. Several Burmese we spoke to emphasized that they prefer to eat rice, but will eat fruits and vegetables if they are the only food available.

Stories of Theft, Looting

¶5. (SBU) Several contacts have told us stories about looting and theft in the markets, particularly in the poorer areas of Rangoon. One contact told us that she saw several adults and children stealing oranges from one vendor in Hledan Market. Several agricultural contacts told us that some rice traders who still have rice stocks are afraid to open their stores for fear they will be mobbed by hungry Burmese (Ref C). Despite these stories, we have not seen any widespread looting. Still, as prices continue to rise and refugees from the Irrawaddy Delta move to Rangoon, looting of markets and stores remains a possibility.

But Fuel Prices Decline

¶6. (SBU) Although food prices on the whole continue to increase, black market fuel prices - for both diesel and petrol - appear to have stabilized, even decreasing in some areas. Immediately after Cyclone Nargis hit, prices of petrol increased from 5,200 kyat (\$4.70) to 8,000 kyat (\$7.20) a gallon, a 54 percent increase. Diesel prices rose by 72 percent, from 5,800 kyat (\$5.20) to 10,000 kyat (\$9) a gallon. On May 8, prices of both petrol and diesel fell

throughout Rangoon, to 7,000 kyats (\$6.36) and 8,000 kyats (\$7.20) a gallon, respectively (Ref B). We have observed fewer cars queuing at gas stations, with the average wait time decreasing from 3.5 hours to 2 hours. John Hetherington, Country Director for PSI, told us that gas stations in Rangoon will now sell up to 6 gallons per car. Previously, MPPE gas stations were rationing fuel, only selling two gallons per car per day. Other contacts confirm the increase in gas sales, but caution that the regime may resume gas rationing in a few days.

¶7. (SBU) There are several reasons for the drop in fuel prices. In the past two days, the government has restored city power to several areas in Rangoon, reducing the demand for diesel to run generators. The government has also restored water supply to parts of the city, further reducing the need for diesel to run water pumps and generators. Burma should receive a shipment of diesel fuel in the next few days, which may temporarily drive down prices further. The amount of petrol available on the black market has also increased, as car owners who purchase six gallons a day have more gas to sell to those in need. As the market supply of fuel increases, we expect that prices will continue to trend downward.

Comment

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¶8. (SBU) Despite the influx of fruits and vegetables from Northern Burma, food prices across the board will likely remain high for the foreseeable future. Before Cyclone Nargis, an estimated five million Burmese lived under the food poverty line. As inflationary pressures and food prices increase in Rangoon and other cyclone-affected areas, more people will be unable to purchase food to feed themselves and their families. Small scale theft and looting is already occurring in Rangoon. The longer it takes for the government to respond to the people's needs, the higher the probability that looting and rioting will occur.

VILLAROSA